

**WINTERSET COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2013**



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**Winterset Community School District  
Board of Education and School District Officials**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jeff Nicholl	President	2013
Michael Motsinger	Vice-President	2015
Brenda Clifton	Board Member	2015
Kelly Cain	Board Member	2015
Karen Brookhart	Board Member	2013
<b>School District Officials</b>		
Dr. Susie Meade	Superintendent	2015
Cammy Leners	Business Manager/Board Secretary	2013
Ahlers Law Firm	Attorney	Indefinite



## **Independent Auditor's Report**

To the Board of Education of  
Winterset Community School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District at June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winterset Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2009, and we audited the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winterset Community School District's internal control over financial reporting and compliance.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

December 18, 2013

The Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 Financial Highlights**

- General Fund revenues decreased slightly from \$17,750,325 in fiscal 2012 to \$17,645,707 in fiscal 2013, while General Fund expenditures decreased from \$16,451,374 in fiscal 2012 to \$16,331,011 in fiscal 2013. This resulted in an increase of \$1,314,697 in the District's General Fund balance from \$584,433 in fiscal 2012 to \$1,899,130 in fiscal 2013.
- The .6% decrease in General Fund revenues was attributable to decreased certified enrollment, decreased 4 year old voluntary preschool enrollment, and the lack of Federal Education Jobs funding.
- The decrease in General Fund expenditures of .7% was attributable to staff reductions and restricted discretionary spending.
- Certified enrollment decreased by 4 students. While enrollment numbers fluctuate annually, the overall trend of the District is slow growth. Certified count on October 1, 2013 reflects an increase of 9 students.
- Net taxable valuations of the District rose 3.418%

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net position and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

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**Figure A-1**  
**Winterset Community School District**  
**Annual Financial Report**

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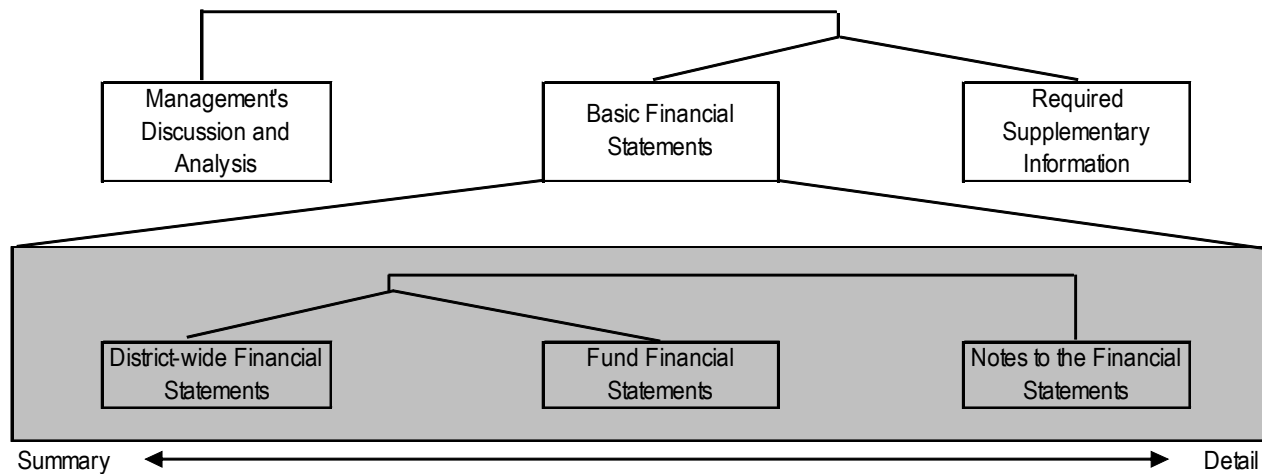




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of Net Position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of Net Position * Statement of revenues, expenses and changes in fund Net Position * Statement of cash flows	* Statement of fiduciary Net Position * Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Student Construction	Special Projects

## Reporting the District's Financial Activities

### Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction are included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the School Construction Fund. The required financial statements for the proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently 8 active scholarship trust funds: V Smith, Harpole, Hendricks, See, Waddingham, Dorrell, McGuiness and Schwertfeger.
- Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District organizations and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2013 compared to June 30, 2012.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Position</b>							
	<b>Governmental Activities</b>		<b>Business type activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
Current assets	\$ 15,438,833	14,332,560	266,046	406,328	15,704,879	14,738,888	6.6%
Noncurrent assets	25,605,582	25,295,357	13,650	50,699	25,619,232	25,346,056	1.1%
Total assets	41,044,415	39,627,917	279,696	457,027	41,324,111	40,084,944	3.1%
Current liabilities	10,820,763	10,687,703	13,804	194,171	10,834,567	10,881,874	-0.4%
Noncurrent liabilities	17,179,373	17,443,254	-	-	17,179,373	17,443,254	-1.5%
Total liabilities	28,000,136	28,130,957	13,804	194,171	28,013,940	28,325,128	-1.1%
Net Position:							
Invested in capital assets, net of related debt	8,662,367	8,592,939	13,650	9,599	8,676,017	8,602,538	0.9%
Nonspendable for Inventory	41,100	-	-	-	41,100	-	n/a
Restricted	3,753,497	3,470,039	-	-	3,753,497	3,470,039	8.2%
Unrestricted	587,315	(566,018)	252,242	253,257	839,557	(312,761)	368.4%
Total Net Position	\$ 13,044,279	11,496,960	265,892	262,856	13,310,171	11,759,816	13.2%

The District's combined net position increased by 13.2% or \$1,550,355 over the prior year. The largest portion of the district's net position is invested in capital assets (e.g. land infrastructure, buildings and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$283,458 or 8.2% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased \$1,152,318 or 368.4%. This increase in unrestricted net position was primarily a result of an increase in the General Fund balance.

**Winterset Community School District  
Management's Discussion and Analysis  
June 30, 2013**

Figure A-4 shows the change in net position for the year ended June 30, 2013 as compared to June 30, 2012.

<b>Figure A-4 Changes in Net Position</b>							
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
Revenues:							
Program revenues:							
Charges for service	\$ 1,202,821	1,058,548	402,912	520,857	1,605,733	1,579,405	1.7%
Operating grants, contributions and restricted interest	2,504,838	2,825,325	367,509	373,027	2,872,347	3,198,352	-10.2%
General revenues:							
Property tax	8,028,415	7,998,772	-	-	8,028,415	7,998,772	0.4%
Statewide sales and service tax	1,441,172	1,300,264	-	-	1,441,172	1,300,264	10.8%
Unrestricted state grants	8,054,542	7,992,398	-	-	8,054,542	7,992,398	0.8%
Unrestricted investment earnings	8,291	10,623	-	-	8,291	10,623	-22.0%
Other	82,959	133,608	88	78	83,047	133,686	-37.9%
Total revenues	21,323,038	21,319,538	770,509	893,962	22,093,547	22,213,500	-0.5%
Program expenses:							
Governmental activities:							
Instruction	\$ 12,058,764	12,089,274	9,180	125,321	12,067,944	12,214,595	-1.2%
Support services	6,038,301	5,629,177	-	-	6,038,301	5,629,177	7.3%
Non-instructional programs	-	-	758,293	733,899	758,293	733,899	3.3%
Other expenses	1,567,154	1,959,513	-	-	1,567,154	1,959,513	-20.0%
Total expenses	19,664,219	19,677,964	767,473	859,220	20,431,692	20,537,184	-0.5%
Change in Net Position	\$ 1,658,819	1,641,574	3,036	34,742	1,661,855	1,676,316	-0.9%

In fiscal 2013, property tax, statewide sales, services and use tax, and unrestricted state grants account for 82% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$22,093,547, of which \$21,323,038 was for governmental activities and \$770,509 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .5% decrease in revenues and a .5% decrease in expenses. The decrease in revenues relates primarily to decreased enrollment in the 4 year old Voluntary Pre-School program, and a reduction in one-time monies such as the Harkin Fire Safety Grant and Education Jobs received in FY12. The decrease in expenses was due primarily to completion of construction projects in prior year.

## Governmental Activities

Revenues for governmental activities were \$21,323,038 and expenses were \$19,664,219.

The following table in Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change	Net Cost of Services		Change
	2013	2012	2012-2013	2013	2012	2012-2013
Instruction	\$ 12,058,764	12,089,274	-0.3%	4,880,380	8,958,969	-45.5%
Support services	6,038,301	5,629,177	7.3%	6,016,264	5,492,666	9.5%
Noninstructional programs	-	-	0.0%	-	-	0.0%
Other expenses	1,567,154	1,959,513	-20.0%	939,518	1,342,456	-30.0%
Totals	\$ 19,664,219	19,677,964	-0.1%	11,836,162	15,794,091	-25.1%

- The cost financed by users of the District's programs was \$1,202,821.
- Federal and state government subsidized certain programs with grants and capital contributions totaling \$2,504,838.
- The net cost of governmental activities was financed with \$8,028,415 in local tax, \$1,441,172 in statewide sales, services and use tax, \$8,054,542 in unrestricted state grants, \$8,291 in interest income and \$82,959 in other general revenues.

## Business Type Activities

Revenues for business type activities were \$770,509 and expenses were \$767,473. The District's business type activities include the School Nutrition and Student Construction Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,743,382, compared to last year's ending fund balances of \$4,685,818.

## Governmental Fund Highlights

- The District's increase in its General Fund financial position from \$584,433 to \$1,899,130 and is the product of many factors including a cash reserve levy, staff reductions and restricted discretionary spending.
- Capital Projects Fund balance decreased from \$2,504,683 in fiscal 2012 to \$1,723,466 in fiscal 2013 due to construction expenditures. General Obligation and Revenue Bonds to fund construction were issued in prior fiscal years.

## Proprietary Fund Highlights

The Proprietary Fund net position increased from \$262,856 at June 30, 2012 to \$265,892 at June 30, 2013, representing an increase of 1%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$23,820 more than budgeted revenues, a variance of .1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$25,431,017, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.3% from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements. Depreciation expense for the year was \$968,740.

The original cost of the District's capital assets was \$36.4 million. Governmental funds account for \$36,129,339 with the remainder of \$272,186 in the Proprietary, School Nutrition Fund.

The largest change in capital assets activity during the year occurred in buildings. The District's buildings totaled \$29,982,488 at June 30, 2013, compared to \$28,814,777 at June 30, 2012. This significant increase was due to completed construction of a multi-use storage facility at the Middle School and completion of the Phase III High School remodel. These projects were financed by voter approved general obligation bonds issued in 2008 and school infrastructure sales, service and use tax revenue bonds issued in 2009.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 457,901	457,901	-	-	457,901	457,901	0.0%
Construction in progress	-	265,541	-	-	-	265,541	-100.0%
Buildings	22,967,912	22,407,691	-	-	22,967,912	22,407,691	2.5%
Improvements other than buildings	1,201,844	1,292,686	-	-	1,201,844	1,292,686	-7.0%
Furniture and equipment	789,710	671,559	6,740	9,598	796,450	681,157	16.9%
Totals	\$ 25,417,367	25,095,378	6,740	9,598	25,424,107	25,104,976	1.3%

### Long Term Debt

At June 30, 2013, the District has \$18,060,807 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 1% percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in the notes to the financial statements.

As of June 30, 2013, the District had outstanding general obligation bonds of \$10,375,000, outstanding revenue bonds of \$6,030,000, outstanding revenue bond anticipation note of \$350,000, outstanding early retirement benefits of \$561,331 payable from the Special Revenue, Management Fund, outstanding compensated absences of \$86,372 payable from the General Fund and a net OPEB liability of \$658,104.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
	<b>June 30,</b>		<b>Change</b>
	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
General obligation bonds	\$ 10,375,000	10,850,000	-4.4%
Revenue bonds	6,030,000	6,205,000	-2.8%
Revenue bond anticipation note	350,000	-	-
Early retirement	561,331	569,231	-1.4%
Compensated absences	86,372	37,797	128.5%
Other postemployment benefits	658,104	574,352	14.6%
<b>Totals</b>	<b>\$ 18,060,807</b>	<b>18,236,380</b>	<b>-1.0%</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Iowa legislature set allowable growth for FY14 at 2% and FY15 at 4%.
- October 2013 certified enrollment reflects an increase of 9 students.
- Moody's Investors Service has an A2 rating on Winterset Community School District (IA) general obligation bonds, affecting \$10.375 million of outstanding debt.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 110 W. Washington, P.O. Box 30, Winterset, Iowa, 50273-0030.

## **Basic Financial Statements**



**Winterset Community School District**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,152,852	239,936	6,392,788
Receivables:			
Property tax:			
Delinquent	98,133	-	98,133
Succeeding year	7,801,923	-	7,801,923
Income surtax	279,556	-	279,556
Accounts	3,723	13,816	17,539
Due from other governments	1,061,546	-	1,061,546
Inventories	41,100	12,294	53,394
Total current assets	15,438,833	266,046	15,704,879
Noncurrent assets:			
Deferred bond costs	188,215	-	188,215
Capital assets, net of accumulated depreciation	25,417,367	13,650	25,431,017
Total capital assets	25,417,367	13,650	25,431,017
Total noncurrent assets	25,605,582	13,650	25,619,232
<b>Total assets</b>	<b>\$ 41,044,415</b>	<b>279,696</b>	<b>41,324,111</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 151,214	-	151,214
Salaries and benefits payable	1,353,535	-	1,353,535
Accrued interest payable	196,421	-	196,421
Due to other governments	109,223	-	109,223
Unearned revenue:			
Succeeding year property tax	7,801,923	-	7,801,923
Income surtax	279,556	-	279,556
Other	-	13,804	13,804
Revenue bonds payable	185,000	-	185,000
Revenue bond anticipation notes payable	350,000	-	350,000
General obligation bonds payable	500,000	-	500,000
Compensated absences	86,372	-	86,372
Early retirement	157,519	-	157,519
Total current liabilities	11,170,763	13,804	11,184,567
Noncurrent liabilities:			
General obligation bonds payable	9,875,000	-	9,875,000
Revenue bonds payable	5,845,000	-	5,845,000
Early retirement	403,812	-	403,812
Bond premium	47,457	-	47,457
Other post employment benefits	658,104	-	658,104
Total noncurrent liabilities	16,829,373	-	16,829,373
<b>Total liabilities</b>	<b>28,000,136</b>	<b>13,804</b>	<b>28,013,940</b>

**Net Position**

Exhibit A

**Winterset Community School District  
Statement of Net Position  
June 30, 2013**

	Governmental Activities	Business Type Activities	Total
Net investment in capital assets	8,662,367	13,650	8,676,017
Nonspendable for:			
Inventory	41,100	-	41,100
Restricted for:			
Management levy purposes	1,251,962	-	1,251,962
Physical plant and equipment	46,123	-	46,123
Student activities	200,324	-	200,324
School infrastructure	1,114,923	-	1,114,923
Debt service	993,399	-	993,399
Categorical funding	146,766	-	146,766
Unrestricted	587,315	252,242	839,557
<b>Total net position</b>	<b>13,044,279</b>	<b>265,892</b>	<b>13,310,171</b>
<b>Total liabilities and net position</b>	<b>\$ 41,044,415</b>	<b>279,696</b>	<b>41,324,111</b>

See notes to financial statements.

**Winterset Community School District**  
**Statement of Activities**  
**Year Ended June 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 8,221,382	794,928	1,370,407	(6,056,047)	-	(6,056,047)
Special	3,067,220	145,003	465,600	(2,456,617)	-	(2,456,617)
Other	1,461,777	251,978	30,070	(1,179,729)	-	(1,179,729)
	<u>12,750,379</u>	<u>1,191,909</u>	<u>1,866,077</u>	<u>(9,692,393)</u>	<u>-</u>	<u>(9,692,393)</u>
Support Service:						
Student	539,102	-	-	(539,102)	-	(539,102)
Instructional staff	693,086	-	-	(693,086)	-	(693,086)
Administration	1,446,003	-	-	(1,446,003)	-	(1,446,003)
Operating and maintenance of plant	1,601,615	10,912	8,499	(1,582,204)	-	(1,582,204)
Transportation	1,066,880	-	2,626	(1,064,254)	-	(1,064,254)
	<u>5,346,686</u>	<u>10,912</u>	<u>11,125</u>	<u>(5,324,649)</u>	<u>-</u>	<u>(5,324,649)</u>
Other expenditures:						
Facilities acquisition	249,939	-	-	(249,939)	-	(249,939)
Long-term debt interest	689,579	-	-	(689,579)	-	(689,579)
AEA flowthrough	627,636	-	627,636	-	-	-
	<u>1,567,154</u>	<u>-</u>	<u>627,636</u>	<u>(939,518)</u>	<u>-</u>	<u>(939,518)</u>
Total governmental activities	19,664,219	1,202,821	2,504,838	(15,956,560)	-	(15,956,560)
Business type activities:						
Instructional programs						
Student construction services	9,180	9,180	-	-	-	-
Non-instructional programs:						
Nutrition services	758,293	393,732	367,509	-	2,948	2,948
Total business type activities	<u>767,473</u>	<u>402,912</u>	<u>367,509</u>	<u>-</u>	<u>2,948</u>	<u>2,948</u>
Total primary government	<u>\$ 20,431,692</u>	<u>1,605,733</u>	<u>2,872,347</u>	<u>(15,956,560)</u>	<u>2,948</u>	<u>(15,953,612)</u>

**Winterset Community School District**  
**Statement of Activities**  
**Year Ended June 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Totals continued from previous pages</b>	<b>\$ 20,431,692</b>	<b>1,605,733</b>	<b>2,872,347</b>	<b>(15,956,560)</b>	<b>2,948</b>	<b>(15,953,612)</b>
General Revenues:						
Property tax levied for:						
General purposes				6,967,475	-	6,967,475
Debt service				922,639	-	922,639
Capital outlay				138,301	-	138,301
Statewide sales and services tax				1,441,172	-	1,441,172
Unrestricted state grants				8,054,542	-	8,054,542
Unrestricted investment earnings				8,291	-	8,291
Contributions not restricted to specific programs				66,401	-	66,401
Other				16,558	88	16,646
Total general revenues				17,615,379	88	17,615,467
Change in net position				1,658,819	3,036	1,661,855
Net position beginning of year, as restated				11,385,460	262,856	11,648,316
Net position end of year				\$ 13,044,279	265,892	13,310,171

See notes to financial statements.

**Winterset Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,183,051	657,034	864,503	1,448,264	6,152,852
Receivables:					
Property tax:					
Current year delinquent	73,490	11,381	1,706	11,556	98,133
Succeeding year	5,900,899	927,498	142,655	830,871	7,801,923
Income surtax	279,556	-	-	-	279,556
Accounts	657	-	-	3,066	3,723
Due from other governments	242,887	85	817,345	1,229	1,061,546
Residential Building Lots	-	-	41,100	-	41,100
<b>Total assets</b>	<b>\$ 9,680,540</b>	<b>1,595,998</b>	<b>1,867,309</b>	<b>2,294,986</b>	<b>15,438,833</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 138,197	-	1,188	11,829	151,214
Salaries and benefits payable	1,353,535	-	-	-	1,353,535
Due to other governments	109,223	-	-	-	109,223
Deferred revenue:					
Succeeding year property tax	5,900,899	927,498	142,655	830,871	7,801,923
Income surtax	279,556	-	-	-	279,556
<b>Total liabilities</b>	<b>7,781,410</b>	<b>927,498</b>	<b>143,843</b>	<b>842,700</b>	<b>9,695,451</b>
Fund balances:					
Nonspendable for:					
Inventory	-	-	41,100	-	41,100
Restricted for:					
Categorical funding	146,766	-	-	-	146,766
Debt service	-	668,500	521,320	-	1,189,820
Management levy purposes	-	-	-	1,251,962	1,251,962
Student activities	-	-	-	200,324	200,324
School infrastructure	-	-	1,114,923	-	1,114,923
Physical plant and equipment	-	-	46,123	-	46,123
Unassigned	1,752,364	-	-	-	1,752,364
<b>Total fund balances</b>	<b>1,899,130</b>	<b>668,500</b>	<b>1,723,466</b>	<b>1,452,286</b>	<b>5,743,382</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,680,540</b>	<b>1,595,998</b>	<b>1,867,309</b>	<b>2,294,986</b>	<b>15,438,833</b>

See notes to financial statements.

Exhibit D

**Winterset Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
June 30, 2013**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 5,743,382</b>
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***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	25,417,367
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(196,421)
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Long-term liabilities, including bonds payable, early retirement, compensated absences, bond discounts and premiums and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(17,920,049)</u>
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<b>Net position of governmental activities (Exhibit A)</b>	<b><u>\$ 13,044,279</u></b>
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See notes to financial statements.

## Exhibit E

**Winterset Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2013**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 6,066,602	922,639	1,579,473	900,872	9,469,586
Tuition	683,985	-	-	-	683,985
Other	329,989	162	7,535	257,251	594,937
State sources	10,124,346	413	62	425	10,125,246
Federal sources	437,441	-	8,499	-	445,940
Total revenues	17,642,363	923,214	1,595,569	1,158,548	21,319,694
Expenditures:					
Current:					
Instruction:					
Regular	6,756,486	-	691,615	205,031	7,653,132
Special	3,046,604	-	-	-	3,046,604
Other	1,073,794	-	-	250,249	1,324,043
	10,876,884	-	691,615	455,280	12,023,779
Support services:					
Student	578,516	-	-	-	578,516
Instructional staff	737,411	-	124,187	-	861,598
Administration	1,370,661	-	4,333	3,832	1,378,826
Operation and maintenance of plant	1,455,204	-	-	148,275	1,603,479
Transportation	684,698	-	214,906	37,857	937,461
	4,826,490	-	343,426	189,964	5,359,880
Other expenditures:					
Facilities acquisition	-	-	1,152,109	-	1,152,109
Long-term debt:					
Principal	-	650,000	-	-	650,000
Interest	-	688,070	-	-	688,070
Fiscal charges	-	1,000	1,500	-	2,500
AEA flowthrough	627,636	-	-	-	627,636
	627,636	1,339,070	1,153,609	-	3,120,315
Total expenditures	16,331,010	1,339,070	2,188,650	645,244	20,503,974
Excess (deficiency) of revenues over (under) expenditures	1,311,353	(415,856)	(593,081)	513,304	815,720

Exhibit E

**Winterset Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2013**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	3,344	-	-	-	3,344
Revenue bond anticipation note issued	-	-	350,000	-	350,000
Operating transfers in	-	426,637	-	-	426,637
Operating transfers out	-	-	(426,637)	-	(426,637)
Total other financing sources (uses)	3,344	426,637	(76,637)	-	353,344
Net change in fund balances	1,314,697	10,781	(669,718)	513,304	1,169,064
Fund balances beginning of year, as restated	584,433	657,719	2,393,184	938,982	4,574,318
Fund balances end of year	\$ 1,899,130	668,500	1,723,466	1,452,286	5,743,382

See notes to financial statements.



Exhibit F

**Winterset Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2013**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 1,169,064**

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,287,871	
Depreciation expense	(965,883)	321,988

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. The amounts of long-term liabilities issued and repaid are as follows:

Issued	\$ (350,000)	
Repaid	650,000	
Amortization of premiums and bond issuance costs	(8,797)	291,203

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	7,900	
Compensated absences	(48,575)	
Other postemployment benefits	(83,752)	(124,427)

**Change in net position of governmental activities (Exhibit B)** **\$ 1,658,819**

See notes to financial statements.

**Winterset Community School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Non-major Enterprise Fund
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 239,936
Receivables:	
Accounts	13,816
Inventories	12,294
Total current assets	<u>266,046</u>
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	272,186
Accumulated depreciation	<u>(258,536)</u>
Total noncurrent assets	<u>13,650</u>
<b>Total assets</b>	<u><u>\$ 279,696</u></u>
<b>Liabilities</b>	
Current liabilities:	
Unearned revenue	<u>13,804</u>
<b>Total liabilities</b>	<u>13,804</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	13,650
Unrestricted	<u>252,242</u>
<b>Total net position</b>	<u>265,892</u>
<b>Total liabilities and net position</b>	<u><u>\$ 279,696</u></u>

See notes to financial statements.

## Exhibit H

**Winterset Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	Non-major Enterprise Fund
Operating revenue:	
Local sources:	
Other local sources:	
Food service sales	\$ 393,732
Other operating revenue	9,180
Total operating revenues	<u>402,912</u>
Operating expenses:	
Instructional programs:	
Support services:	
Services	5,692
Supplies	3,488
	<u>9,180</u>
Non-instructional programs:	
Food services operations:	
Salaries	14,801
Employee Benefits	2,416
Services	347,970
Supplies	390,248
Depreciation	2,858
	<u>758,293</u>
Total operating expenses	<u>767,473</u>
Operating loss	(364,561)
Non-operating revenue:	
Interest on investments	88
State lunch and breakfast program claims	6,620
National School Lunch Program	261,318
School Breakfast Program	47,369
Federal food commodities revenue	52,202
Total non-operating revenues	<u>367,597</u>
Change in net position	3,036
Net position beginning of year	<u>262,856</u>
Net position end of year	<u>\$ 265,892</u>

See accompanying independent auditor's report.

Exhibit I

**Winterset Community School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013**

	Non-major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 393,450
Cash received from miscellaneous operating activities	9,180
Cash payments to suppliers for goods or services	(716,093)
Net cash used by operating activities	(313,463)
Cash flows from non-capital financing activities:	
State grants received	6,620
Federal grants received	308,687
Net cash provided by non-capital financing activities	315,307
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,910)
Net cash provided by non-capital financing activities	(6,910)
Cash flows from investing activities:	
Interest on investments	88
Net increase in cash and cash equivalents	(4,978)
Cash and cash equivalents at beginning of year	244,914
Cash and cash equivalents at end of year	\$ 239,936
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (364,561)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities received	52,202
Depreciation	2,858
Decrease in accounts receivable	78
(Increase) in inventories	(3,673)
(Decrease) in accounts payable	(7)
(Decrease) in unearned revenue	(360)
Net cash used by operating activities	\$ (313,463)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:</b>	
Current assets:	
Cash and investments	\$ 239,936
Cash and cash equivalents at year end	\$ 239,936

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2013, the District received federal commodities valued at \$52,202.

See notes to financial statements.

**Winterset Community School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 193,876	43,142
Accounts receivable	-	4,982
<b>Total assets</b>	<b>193,876</b>	<b>48,124</b>
<b>Liabilities</b>		
Current liabilities:		
Salary and benefits payable	-	704
Accounts payable	-	47,420
<b>Total liabilities</b>	<b>-</b>	<b>48,124</b>
<b>Net Position</b>		
Held in trust for scholarships and special projects	193,876	-
<b>Total net position</b>	<b>\$ 193,876</b>	<b>-</b>

See notes to financial statements.

Exhibit K

**Winterset Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2013**

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Contributions and donations	\$	8,393
Interest		2,177
Total additions		10,570
Deductions:		
Instruction:		
Services		11,607
Change in net position		(1,037)
Net position beginning of year		194,913
Net position end of year	\$	193,876

See notes to financial statements.

**(1) Summary of Significant Accounting Policies**

Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Winterset, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/Net Position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.



The following enterprise funds of the District are considered non-major:

Nutrition Services: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Student Construction: This fund accounts for transactions related to the Student Construction program.

**Fiduciary Fund Types:** Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund types:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: These funds account for assets held by the District as an agency for individuals and private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Unearned revenue on the Statement of Net Position consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

*Nondisposable* - Amounts not available for expenditure.

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments as follows:

Farmers & Merchants State Bank Certificates of Deposit	\$ 161,044
Union State Bank Certificate of Deposit	2,114
Iowa Schools Joint Investment Trust	
Diversified portfolio (amortized cost)	3,516,290
	<u>\$ 3,679,448</u>

At June 30, 2013, the District had investments in the Iowa School Joint Investment Trust Direct government Obligations Portfolio which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 426,637

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-2011A and 2010-2011B warrants was 2% and the interest rate on the 2011-2012A warrants was 2.0%. A summary of the District's ISCAP activity for the year ended June 30, 2013 is as follows:

**Winterset Community School District**  
**Notes to Financial Statements**  
**June 30, 2013**

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2012-13 ONE	\$ -	1,000,000	1,000,000	-
	-	-	-	-
	\$ -	1,000,000	1,000,000	-

During the year ended June 30, 2013, the District paid \$1,021 of interest on the ISCAP warrants.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 457,901	-	-	457,901
Construction in progress	265,540	-	265,540	-
Total capital assets not being depreciated	723,441	-	265,540	457,901
Capital assets being depreciated:				
Buildings	28,814,777	1,167,711	-	29,982,488
Land improvements	2,210,070	-	-	2,210,070
Machinery and equipment	3,287,771	385,700	194,591	3,478,880
Total capital assets being depreciated	34,312,618	1,553,411	194,591	35,671,438
Less accumulated depreciation for:				
Buildings	6,407,085	607,491		7,014,576
Land improvements	917,384	90,842		1,008,226
Machinery and equipment	2,616,211	267,550	194,591	2,689,170
Total accumulated depreciation	9,940,680	965,883	194,591	10,711,972
Total capital assets being depreciated, net	24,371,938	587,528	-	24,959,466
Governmental activities capital assets, net	\$ 25,095,379	587,528	265,540	25,417,367
<b>Business type activities:</b>				
Machinery and equipment	\$ 265,276	6,910		272,186
Less accumulated depreciation	255,678	2,858		258,536
Business type activities capital assets, net	\$ 9,598	4,052	-	13,650

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 651,096
Other	155,622

Support services:

Administration	1,418
Operation and maintenance of plant	26,747
Transportation	130,999

Total depreciation expense - governmental activities	\$ 965,882
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Business type activities:

Food services	\$ 2,858
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(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 10,850,000	-	475,000	10,375,000	500,000
Revenue bonds	6,205,000	-	175,000	6,030,000	185,000
Revenue BAN	-	350,000	-	350,000	-
Early retirement	569,231	137,852	145,752	561,331	157,519
Compensated absences	37,797	86,372	37,797	86,372	86,372
Net OPEB liability	574,352	165,752	82,000	658,104	-
	<u>\$ 18,236,380</u>	<u>739,976</u>	<u>915,549</u>	<u>18,060,807</u>	<u>928,891</u>

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.50%	\$ 380,000	313,493	693,493
2015	3.50%	395,000	300,193	695,193
2016	5.00%	410,000	286,368	696,368
2017	5.00%	430,000	265,867	695,867
2018	5.00%	445,000	244,368	689,368
2019	3.75%	465,000	222,118	687,118
2020	3.80%	485,000	204,680	689,680
2021	3.85%	505,000	186,250	691,250
2022	3.90%	525,000	166,808	691,808
2023	3.95%	545,000	146,333	691,333
2024	4.00%	565,000	124,805	689,805
2025	4.05%	590,000	102,205	692,205
2026	4.10%	610,000	78,310	688,310
2027	4.10%	635,000	53,300	688,300
2028	4.10%	665,000	27,265	692,265
Total		<u>\$ 7,650,000</u>	<u>2,722,360</u>	<u>10,372,360</u>

**Winterset Community School District**  
**Notes to Financial Statements**  
**June 30, 2013**

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.75%	\$ 120,000	112,503	232,503
2015	3.75%	125,000	108,002	233,002
2016	4.00%	130,000	103,315	233,315
2017	4.00%	135,000	98,115	233,115
2018	4.00%	140,000	92,715	232,715
2019	4.00%	150,000	87,115	237,115
2020	4.00%	155,000	81,115	236,115
2021	4.00%	160,000	74,915	234,915
2022	4.05%	170,000	68,515	238,515
2023	4.05%	180,000	61,630	241,630
2024	4.10%	185,000	54,340	239,340
2025	4.10%	195,000	46,755	241,755
2026	4.30%	205,000	38,760	243,760
2027	4.30%	215,000	29,945	244,945
2028	4.50%	225,000	20,700	245,700
2029	4.50%	235,000	10,575	245,575
Total		\$ 2,725,000	1,089,015	3,814,015

Revenue Bonds

Details of the District's June 30, 2013 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.00%	185,000	238,863	423,863
2015	3.00%	240,000	232,488	472,488
2016	3.00%	250,000	225,138	475,138
2017	3.00%	260,000	217,488	477,488
2018	3.25%	270,000	209,200	479,200
2019	3.50%	280,000	199,913	479,913
2020	3.65%	290,000	189,720	479,720
2021	3.75%	305,000	178,709	483,709
2022	3.90%	320,000	166,750	486,750
2023	4.00%	335,000	153,810	488,810
2024	4.10%	355,000	139,833	494,833
2025	4.25%	370,000	124,693	494,693
2026	4.35%	390,000	108,348	498,348
2027	4.40%	410,000	90,845	500,845
2028	4.55%	435,000	72,038	507,038
2029	4.60%	455,000	51,785	506,785
2030	4.65-4.75%	880,000	30,160	910,160
Total		\$ 6,030,000	2,629,776	8,659,776

The District has pledged statewide sales, services and use tax revenues to repay the \$6,325,000 bonds issued in November, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely

from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$8,659,776. For the current year, \$175,000 of principal and \$244,263 of interest was paid.

Total statewide sales, services and use tax revenues were \$1,441,172.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$165,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Revenue Bond Anticipation Notes

School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Project Note Issue of August 14, 2012				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	1.50%	\$ 350,000	5,994	355,994
Total		\$ 350,000	5,994	355,994

In August 2012 the District issued \$350,000 of School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Note. The proceeds from the note are for the purpose of anticipating the school infrastructure sales, services and use tax revenues, and the issuance of School Infrastructure Sales, Services and Use Tax Revenue bonds for the purpose of paying the costs of school infrastructure projects. The notes are not general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be age fifty-five and have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits paid during the year ended June 30, 2013, totaled \$145,752 and were paid by the Special Revenue, Management Levy Fund.

The government-wide financial statements include twelve months as a current liability for early retirement.

#### **(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 164 active and 8 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.



Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	163,000
Interest on net OPEB obligation		25,846
Adjustment to annual required contribution		(23,094)
Annual OPEB cost		165,752
Contributions made		(82,000)
Increase in net OPEB obligation		83,752
Net OPEB obligation beginning of year		574,352
Net OPEB obligation end of year	\$	658,104

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2013, the District contributed \$82,000. Retiree and active members receiving benefits contributed \$34,000 through their required contribution for single and family health coverage combined, depending on which of the two plans offered by the District the employee participated in.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 165,352	49.59%	574,352
June 30, 2013	165,752	49.47%	658,104

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2013, the actuarial accrued liability was \$1,144,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,144,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,784,278, and the ratio of the UAAL to covered payroll was 11.7%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$736 per month for retirees who have not attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$961,126, \$877,869, and \$738,745, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$627,636 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Restatement of fund balance

The following discloses the restatement of government fund balances as of the beginning of the year:

	Capital Projects, Physical Plant and Equipment Levy
Fund balance, June 30, 2012, as previously reported	\$ 257,557
Decrease due to interfund receivable from Student Construction Fund related to purchase of Residential Building Lots	(180,000)
Increase due to transfer of Residential Building Lots Inventory from Student Construction Fund	68,500
Fund balance, July 1, 2012, as restated	<u>\$ 146,057</u>

### **Required Supplementary Information**

Winterset Community School District  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances  
 Budget and Actual - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 10,748,508	403,000	11,151,508	10,959,906	10,959,906	191,602
Intermediate sources	-	-	-	-	-	-
State sources	10,125,246	6,620	10,131,866	10,211,477	10,211,477	(79,611)
Federal sources	445,940	360,889	806,829	895,000	895,000	(88,171)
Total revenues	21,319,694	770,509	22,090,203	22,066,383	22,066,383	23,820
Expenditures:						
Instruction	12,023,779	9,180	12,032,959	13,150,000	13,150,000	1,117,041
Support services	5,359,880	-	5,359,880	5,875,000	5,875,000	515,120
Noninstructional programs	-	758,293	758,293	900,000	900,000	141,707
Other expenditures	3,120,315	-	3,120,315	4,648,742	4,648,742	1,528,427
Total expenditures	20,503,974	767,473	21,271,447	24,573,742	24,573,742	3,302,295
Excess (deficiency) of revenues over (under) expenditures	815,720	3,036	818,756	(2,507,359)	(2,507,359)	3,326,115
Other financing sources, net	353,344	-	353,344	-	-	353,344
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,169,064	3,036	1,172,100	(2,507,359)	(2,507,359)	3,679,459
Balances beginning of year, as restated	4,574,318	262,856	4,837,174	4,657,023	4,657,023	180,151
Balances end of year	\$ 5,743,382	265,892	6,009,274	2,149,664	2,149,664	3,859,610

See accompanying independent auditor's report.

**Winterset Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2013**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Winterset Community School District  
Schedule of Funding Progress for the Retiree Health Plan  
Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	-	1,144,000	1,144,000	0.0%	9,366,264	12.2%
2012	July 1, 2010	-	1,144,000	1,144,000	0.0%	9,687,082	11.8%
2013	July 1, 2010	-	1,144,000	1,144,000	0.0%	9,784,278	11.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**



Winterset Community School District  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2013

See accompanying independent auditor's report.

## Schedule 2

## Winterset Community School District

## Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

## Non-major Governmental Funds

Year ended June 30, 2013

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 900,872	-	900,872
Other	5,245	252,006	257,251
State sources	425	-	425
Total revenues	906,542	252,006	1,158,548
Expenditures:			
Current:			
Instruction:			
Regular	205,031	-	205,031
Other	-	250,249	250,249
Support Services:			-
Administration	3,832	-	3,832
Operation and maintenance of plant	148,275	-	148,275
Student transportation:	37,857	-	37,857
Total expenditures	394,995	250,249	645,244
Excess of revenues over expenditures	511,547	1,757	513,304
Fund balances beginning of year	740,415	198,567	938,982
Fund balances end of year	\$ 1,251,962	200,324	1,452,286

See accompanying independent auditor's report.

## Schedule 3

Winterset Community School District  
Combining Balance Sheet  
Capital Project Accounts  
June 30, 2013

		Capital Projects			
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
<b>Assets</b>					
Cash and pooled investments		\$ 853,712	10,791	-	864,503
Receivables:					
Property tax:					
Current year delinquent		-	1,706	-	1,706
Succeeding year		-	142,655	-	142,655
Intergovernmental		783,719	33,626	-	817,345
Residential Building Lots		-	41,100	-	41,100
<b>Total assets</b>		<b>\$ 1,637,431</b>	<b>229,878</b>	<b>-</b>	<b>1,867,309</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable		\$ 1,188	-	-	1,188
Deferred revenue:					
Succeeding year property tax		-	142,655	-	142,655
Total liabilities		1,188	142,655	-	143,843
Fund balances:					
Nonspendable for:					
Inventory		-	41,100	-	41,100
Restricted for:					
Debt service		521,320	-	-	521,320
School infrastructure		1,114,923	-	-	1,114,923
Physical plant and equipment		-	46,123	-	46,123
Total fund balances		1,636,243	87,223	-	1,723,466
<b>Total liabilities and fund balances</b>		<b>\$ 1,637,431</b>	<b>229,878</b>	<b>-</b>	<b>1,867,309</b>

See accompanying independent auditor's report.

## Schedule 4

Winterset Community School District  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts  
Year ended June 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,441,171	138,302	-	1,579,473
Other	7,429	69	37	7,535
State sources	-	62	-	62
Federal sources	-	8,499	-	8,499
Total revenues	1,448,600	146,932	37	1,595,569
Expenditures:				
Current:				
Instruction:				
Regular	691,615	-	-	691,615
Support Services:				
Instructional Staff	-	124,187	-	124,187
Administration	-	4,333	-	4,333
Transportation	185,320	29,586	-	214,906
Other expenditures:				
Facilities acquisition	803,126	47,660	301,323	1,152,109
Debt service	1,500	-	-	1,500
Total expenditures	1,681,561	205,766	301,323	2,188,650
Deficiency of revenues under expenditures	(232,961)	(58,834)	(301,286)	(593,081)
Other financing sources (uses):				
Revenue bond anticipation note issued	350,000	-	-	350,000
Operating transfers out	(426,637)	-	-	(426,637)
Total other financing uses	(76,637)	-	-	(76,637)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(309,598)	(58,834)	(301,286)	(669,718)
Fund balances beginning of year, as restated	1,945,841	146,057	301,286	2,393,184
Fund balances end of year	\$ 1,636,243	87,223	-	1,723,466

See accompanying independent auditor's report.

## Schedule 5

Winterset Community School District  
Combining Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Enterprise Funds		
	School Nutrition	Student Construction	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 239,936	-	239,936
Accounts receivable	13,816	-	13,816
Inventories	12,294	-	12,294
Total current assets	266,046	-	266,046
Non-current assets:			
Machinery and equipment	272,186	-	272,186
Accumulated depreciation	(258,536)	-	(258,536)
Total non-current assets	13,650	-	13,650
<b>Total assets</b>	279,696	-	279,696
<b>Liabilities</b>			
Current liabilities:			
Unearned revenue	13,804	-	13,804
<b>Total current liabilities</b>	13,804	-	13,804
<b>Net Position</b>			
Invested in capital assets	13,650	-	13,650
Unrestricted	252,242	-	252,242
<b>Total Net Position</b>	\$ 265,892	-	265,892

See accompanying independent auditor's report.

## Schedule 6

## Winterset Community School District

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position

## Proprietary Funds

Year ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Operating revenue:			
Local sources:			
Other local sources:			
Food service sales	\$ 393,732	-	393,732
Other operating revenue	-	9,180	9,180
Total operating revenues	393,732	9,180	402,912
Operating expenses:			
Instructional programs:			
Instruction			
Services	-	5,692	5,692
Supplies	-	3,488	3,488
	-	9,180	9,180
Non-instructional programs:			
Food services operations:			
Salaries	14,801	-	14,801
Employee Benefits	2,416	-	2,416
Services	347,970	-	347,970
Supplies	390,248	-	390,248
Depreciation	2,858	-	2,858
Miscellaneous	-	-	-
	758,293	-	758,293
Total operating expenses	758,293	9,180	767,473
Operating loss	(364,561)	-	(364,561)
Non-operating revenue:			
Interest on investments	88	-	88
State lunch and breakfast program claims	6,620	-	6,620
National School Lunch Program	261,318	-	261,318
School Breakfast Program	47,369	-	47,369
Federal food commodities revenue	52,202	-	52,202
Total non-operating revenues	367,597	-	367,597
Net income	3,036	-	3,036
Net Position beginning of year	262,856	-	262,856
Net Position end of year	\$ 265,892	-	265,892

See accompanying independent auditor's report.

## Schedule 7

Winterset Community School District  
Combining Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 393,450	-	393,450
Cash received from miscellaneous operating activities	-	9,180	9,180
Cash payments to suppliers for goods or services	(706,913)	(9,180)	(716,093)
Net cash used by financing activities	(313,463)	-	(313,463)
Cash flows from non-capital financing activities:			
State grants received	6,620	-	6,620
Federal grants received	308,687	-	308,687
Net cash provided by non-capital financing activities	315,307	-	315,307
Cash Flows from capital and related financing activities:			
Acquisition of capital assets	(6,910)	-	(6,910)
Net cash used by capital and related financing activities	(6,910)	-	(6,910)
Cash flows from investing activities:			
Interest on investments	88	-	88
Net increase in cash and cash equivalents	(4,978)	-	(4,978)
Cash and cash equivalents at beginning of year	244,914	-	244,914
Cash and cash equivalents at end of year	\$ 239,936	-	239,936
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (364,561)	-	(364,561)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities received	52,202	-	52,202
Depreciation	2,858	-	2,858
Decrease in accounts receivable	78	-	78
Increase in inventories	(3,673)	-	(3,673)
(Decrease) in accounts payable	(7)	-	(7)
(Decrease) in unearned revenue	(360)	-	(360)
Net cash provided (used) by operating activities	\$ (313,463)	-	(313,463)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
Current assets:			
Cash and investments	\$ 239,936	-	239,936
Cash and cash equivalents at year end	\$ 239,936	-	239,936

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2013, the District received federal commodities valued at \$52,202.

See accompanying independent auditor's report.

## Schedule 8

Winterset Community School District  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Fund  
 Year ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 28,897	14,245	-	43,142
Accounts receivable	6,361	4,982	6,361	4,982
<b>Total assets</b>	<b>\$ 35,258</b>	<b>19,227</b>	<b>6,361</b>	<b>48,124</b>
<b>Liabilities</b>				
Liabilities:				
Salary and benefits payable	\$ 1,258	704	1,258	704
Accounts payable	34,000	47,420	34,000	47,420
<b>Total liabilities</b>	<b>\$ 35,258</b>	<b>48,124</b>	<b>35,258</b>	<b>48,124</b>

See accompanying independent auditor's report.



## Schedule 9

Winterset Community School District  
 Schedule of Changes in Individual Student Activity Accounts  
 Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary School:				
Interest	\$ 6	-	-	6
Champs	500	-	448	52
Memory Book	1,160	2,590	3,163	587
Cheap and Keep	393	2,107	2,050	450
Middle School:				
Interest	40	2	42	-
Band Resale	424	103	415	112
Cheap and Keep	22	-	-	22
5th and 6th Grade	507	1,734	1,513	728
Husky Buck	303	-	-	303
Champs	8,858	-	-	8,858
Field Trips	576	-	-	576
Magazine Fund	34,112	5	1,291	32,826
Yearbook	3,279	2,856	2,925	3,210
Junior High School:				
Interest	39	5	44	-
Magazine Fund	7,281	-	1,079	6,202
Tech Projects	216	-	-	216
Supply Hut	7	62	69	-
Vocal	97	925	988	34
Band Resale	698	671	1,369	-
Activity Tickets	3,504	4,280	5,394	2,390
Uniform	4,106	-	4,000	106
Cross Country	228	120	242	106
Boys Basketball	-	1,008	1,008	-
Football	-	1,102	1,102	-
Boys Track Club	3,462	-	310	3,152
Wrestling Club	392	429	195	626
Girls Basketball	-	808	808	-
Volleyball	-	1,916	1,916	-
Girls Track Club	749	1,305	1,655	399
Cheerleaders	1,235	-	90	1,145
Yearbook	1,646	1,800	1,855	1,591
FBLA	42	-	-	42
Student Council	450	-	-	450
TSA	2,697	884	2,372	1,209
Troop Connection	85	-	-	85
High School:				
Activity Tickets	1,603	16,319	13,377	4,545
Interest	211	21	232	-
Champs	1,476	348	82	1,742
Concessions	2,659	16,375	10,838	8,196
Pop Machine	2,173	530	2,035	668
Play	393	9,478	9,007	864
Forensic	-	1,391	1,391	-
Vocal	2,952	1,772	2,395	2,329
Band Resale	1,923	1,652	595	2,980
Uniforms	1,920	1,132	2,625	427
Weightlifting	724	-	-	724
Coed Track	9,753	-	35	9,718

## Schedule 9

Winterset Community School District  
 Schedule of Changes in Individual Student Activity Accounts  
 Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Cross Country	2,898	1,391	1,466	2,823
Boys Basketball	665	7,558	6,896	1,327
Football Parents	2,572	26,817	18,971	10,418
Boys Soccer	4,473	5,591	6,515	3,549
Baseball	3,008	5,525	8,533	-
Boys Track Club	4,021	4,055	4,601	3,475
Golf	1,355	150	943	562
Boys Drill Team	211	1,524	1,612	123
Wrestling Club	6,402	7,977	7,523	6,856
Girls Basketball	1,559	7,010	6,524	2,045
Volleyball	465	6,082	5,360	1,187
Girls Soccer	4,147	7,457	8,592	3,012
Softball	1,780	8,222	9,877	125
Girls Track Club	2,138	2,843	4,073	908
Cheerleaders	4,147	15,117	14,404	4,860
Girls Golf	275	725	422	578
Drill Team	2,935	9,468	10,617	1,786
Class of 2012	-	246	246	-
Class of 2013	4,107	-	1,432	2,675
Class of 2014	3,659	3,723	4,903	2,479
Class of 2015	134	735	244	625
Class of 2016	-	20	20	-
AFS	1,017	932	301	1,648
Boomerang	7,500	5,894	10,826	2,568
FBLA	57	8,615	8,039	633
FCCLA	3,922	500	63	4,359
MOC	2,038	440	301	2,177
NHS	374	407	143	638
Pep Club	6,481	327	1,290	5,518
Renaissance	1,252	-	-	1,252
Science Club	3,074	-	60	3,014
Student Council	6,491	3,289	5,964	3,816
TSA	-	5,606	2,485	3,121
WHS-TV	4,487	2,730	81	7,136
Y-Teen	2,818	152	363	2,607
FFA	1,806	9,427	1,657	9,576
Art Club	1,716	1,596	2,176	1,136
Spanish Club	458	-	-	458
WEL Club	1,224	789	863	1,150
Scuba	-	471	471	-
Ivy League	-	14,865	12,437	2,428
Totals	\$ 198,567	252,006	250,249	200,324

See accompanying independent auditor's report.

Winterset Community School District  
Schedule of Revenues by Sources and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 9,469,586	\$ 9,299,035	9,047,231	7,885,789	6,682,479	5,902,891	6,300,722	5,835,185	5,654,849	4,843,031
Tuition	683,985	719,657	591,391	538,865	556,899	620,456	520,618	485,156	386,039	435,217
Other	594,937	455,559	532,149	752,774	744,545	487,229	496,369	406,550	494,275	800,215
Intermediate sources	-	-	-	-	868	-	18,010	-	-	1,431
State sources	10,125,246	10,071,017	9,280,912	7,970,449	9,069,606	8,805,764	8,160,837	7,818,846	7,007,351	6,528,915
Federal sources	445,940	765,387	806,743	1,486,818	534,599	325,030	310,585	332,412	321,482	376,857
Total	\$ 21,319,694	\$ 21,310,655	20,258,426	18,634,695	17,588,996	16,141,370	15,807,141	14,878,149	13,863,996	12,985,666
Expenditures:										
Instruction:										
Regular	\$ 7,653,132	7,087,937	7,146,751	6,463,818	6,538,800	6,343,446	5,595,747	5,055,208	4,948,992	4,573,554
Special	3,046,604	2,975,804	2,789,079	3,365,948	2,798,107	2,505,110	2,688,086	2,313,143	2,023,852	2,104,456
Other	1,324,043	1,234,415	1,146,983	1,134,170	1,767,816	1,497,926	1,058,067	1,316,851	1,328,124	924,385
Support services:										
Student	578,516	585,741	533,947	563,984	351,332	449,044	409,289	357,966	360,342	350,360
Instructional staff	861,598	1,185,848	616,560	753,321	556,792	628,644	680,880	504,394	372,882	335,889
Administration	1,378,826	1,404,877	1,445,362	1,556,146	1,854,842	1,282,634	1,195,341	1,110,165	1,069,181	1,055,372
Operation and maintenance of plant	1,603,479	1,556,559	1,468,491	1,522,965	1,501,165	1,470,629	1,299,559	1,345,656	1,125,081	1,194,716
Transportation	937,461	885,290	719,247	741,508	700,621	710,525	774,989	774,339	549,379	545,414
Non-instructional programs	-	-	-	13,714	11,793	8,654	8,796	11,651	9,236	8,089
Other expenditures:										
Facilities acquisition	1,152,109	2,285,832	5,255,880	9,903,836	3,287,459	665,627	612,179	124,997	314,833	284,342
Long-term debt:										
Principal	650,000	580,000	450,000	430,000	620,000	545,000	875,000	830,000	805,000	1,187,000
Interest and other charges	690,570	712,245	771,818	485,887	445,336	94,390	128,110	160,313	190,797	235,961
AEA flowthrough	627,636	617,057	669,527	663,689	600,552	562,800	522,435	488,789	445,626	432,742
Total	\$ 20,503,974	21,111,605	23,013,645	27,598,986	21,034,615	16,764,429	15,848,478	14,393,472	13,543,325	13,232,280

See accompanying independent auditor's report.

## Schedule 11

Winterset Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2013

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	\$ 47,369
National School Lunch Program	10.555	FY 13	313,520 *
			<u>360,889</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 13	<u>241,067</u>
Vocational Education - Basic Grants to States	84.048	FY 13	<u>13,462</u>
Fund for the Improvement of Education	84.215	FY 13	<u>8,499</u>
Title IIA - Federal Teacher Quality Program	84.367	FY 13	<u>51,205</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>11,076</u>
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 13	<u>88,890</u>
Total			<u>\$ 775,088</u>

\* - Includes \$52,202 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Education of Winterset Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winterset Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winterset Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Winterset Community School District's Response to Findings

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Winterset Community School District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

December 18, 2013



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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on the Schedule of Expenditures  
of Federal Awards Required by OMB Circular A-133**

To the Board of Education of Winterset Community School District:

Report on Compliance for Each Major Federal Program

We have audited Winterset Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Winterset Community School District's major federal programs for the year ended June 30, 2013. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Winterset Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Winterset Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Winterset Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items IV-G-13. Our opinion on each major federal program is not modified with respect to these matters.

Winterset Community School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Winterset Community School District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Winterset Community School District's internal control over compliance with type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

December 18, 2013



**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Education Agencies
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Winterset Community School District qualified as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over major programs were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-13    Certified Budget - Expenditures for the year ended June 30, 2013, did not exceed the certified budget amount.
- IV-B-13    Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-13    Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13    Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-13    Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-13    Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-13    Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13    Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13    Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-13    Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13    Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Winterset Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

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IV-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,945,841
Revenues/transfers in:			
Sales tax revenues	\$	1,441,171	
Other local revenues		7,429	
Bond Anticipatory Note		350,000	1,798,600
			<u>3,744,441</u>
Expenditures/transfers out:			
School infrastructure construction		803,126	
Equipment		876,935	
Other		1,500	
Transfers to other funds:			
Debt service funds		426,637	2,108,198
			<u>2,108,198</u>
Ending balance		\$	<u>1,636,243</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1000 of Taxable      Property Tax Valuation      Dollars Reduced	
Debt service levy	\$	2.96840      1,300,264